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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

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State Department review completed

No 40

16 April 1973

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Approved For Release 2003/11/19 : CIA-RDP79T00975A024200090001-3

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No. 0091/73
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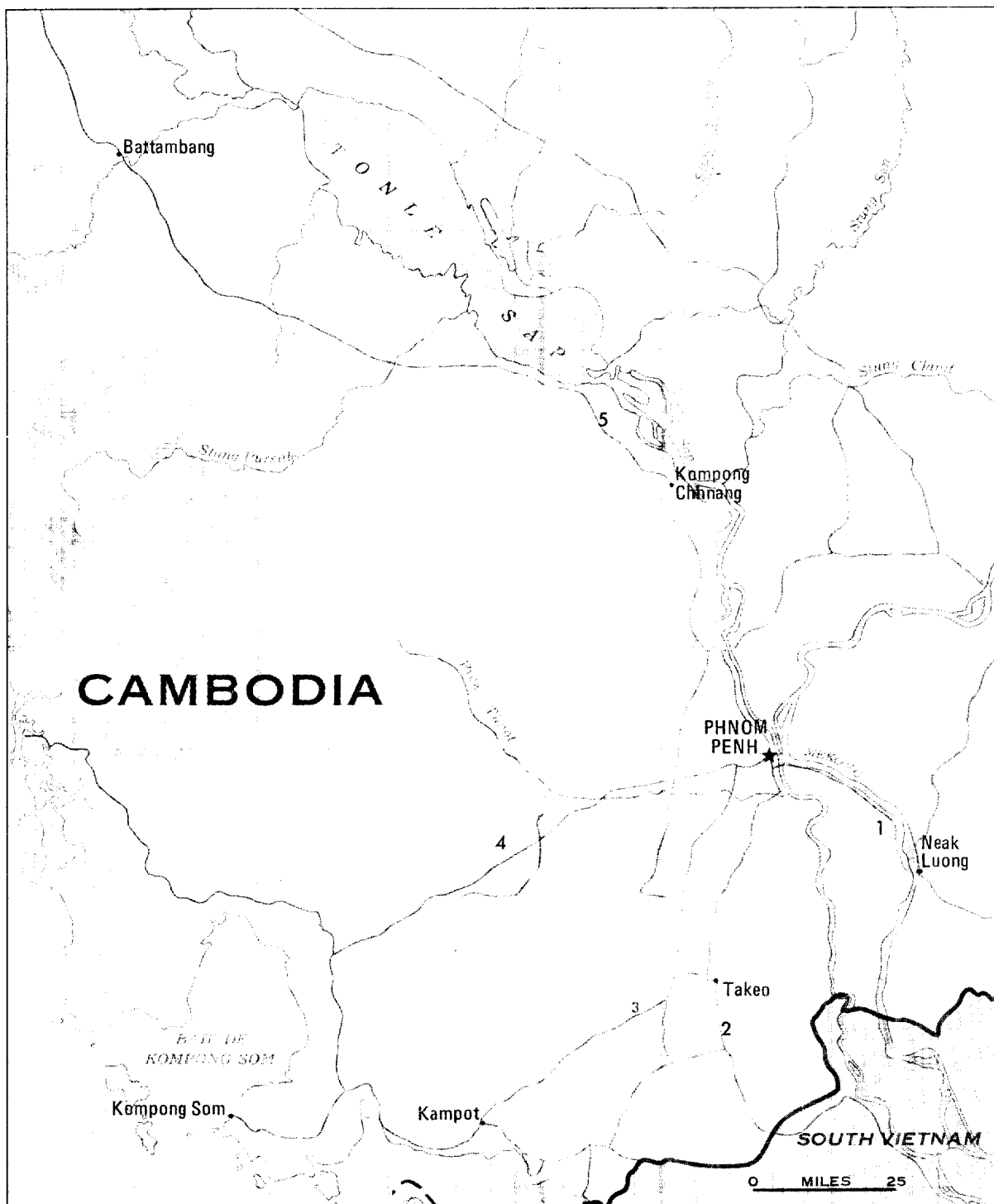
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CAMBODIA: The military situation has improved slightly.

Route 1 has been cleared between Phnom Penh and the Mekong, and truck convoys are again moving supplies up Route 4 from the port of Kompong Som to Phnom Penh. Route 5, which links the capital to the rice-rich northwest, is still closed south of Kompong Chhnang city.

In the south most of Route 2 between Phnom Penh and the South Vietnam border is under Khmer Communist control. The provincial capital at Takeo is isolated and under constant pressure.

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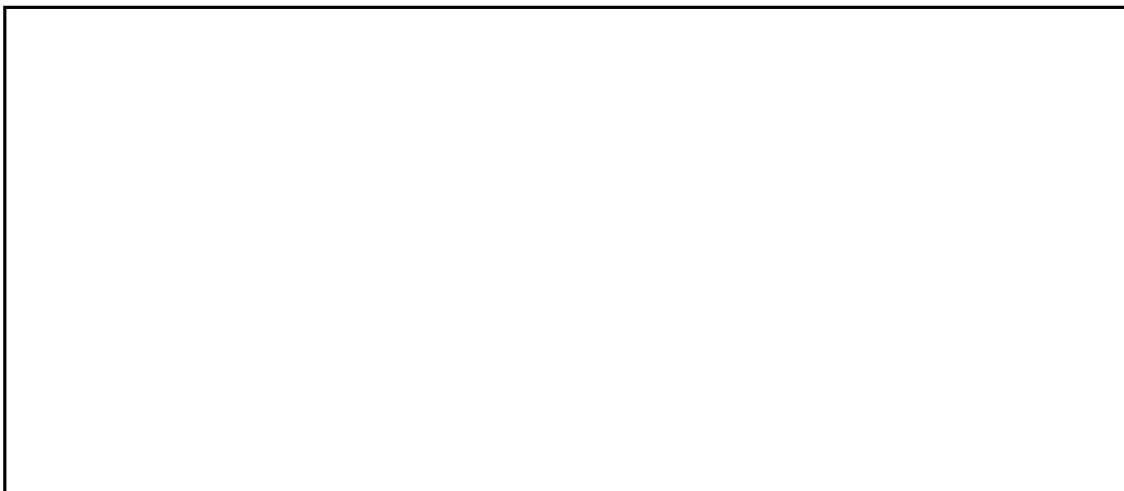
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ISRAEL-FEDAYEEN: Both Israeli and Palestinian guerrilla leaders threaten further action in the wake of the Israeli raid into Lebanon on 10 April. The fedayeen are trying to keep the level of anti-US sentiment high.

Defense Minister Dayan, following the Prime Minister's praise of the Israeli raid, said that Israel still holds the Lebanese Government responsible for anti-Israeli fedayeen activity emanating from Lebanon and vowed further raids if it was not halted. The Defense Minister warned that the Israelis would not wait to retaliate but would undertake pre-emptive strikes at the fedayeen.



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The fedayeen are continuing and expanding on the theme of close US-Israeli ties and US complicity in the Israeli raid. The clandestine Voice of Palestine on 14 April called for attacks on all US interests in the Middle East to halt what it said was the "US war against the Palestinian resistance." One of the two most influential Egyptian news commentators, Ihsan Abd al-Quddus, has charged that all assaults on the Palestinians are planned by the US. Al Ahram is more moderate, but other Cairo

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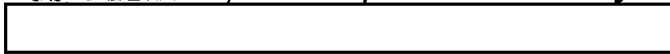
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papers are spreading the Palestinian charges and themes. A Palestinian broadcast over Damascus Radio on 14 April repeated the US complicity charges and said that the targets should be the "US monopolies, US military bases, and local agents of imperialism."

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MBFR: Efforts in Vienna to solve the Hungarian participation dispute--which has stalled the initial MBFR talks for eleven weeks--have reached a decisive stage.

On Friday, the Soviet delegation formally presented a proposal it had outlined earlier. It would list Hungary, along with Italy and six other countries, as a "special participant" and contain a formula for enlarging the number of direct participants. The Soviets have also agreed to the Allies' insistence on statements in which each side would set forth its views on Hungary's status. The final form of these statements has not yet been determined, however, and the Soviets have not yet formally incorporated them into their proposal.

The Western side, which has been negotiating on the basis of the agreed NATO position that Hungary's status should be left in abeyance, is not totally pleased with the Soviet proposal. The designation of Hungary as a "special participant" is particularly hard to swallow. But the US and Dutch representatives, who have been negotiating with the Soviets and Hungarians on behalf of the Allies, believe that the Soviets have gone about as far as they can go and that when the Soviets say their position is "absolutely final," they mean it. The two Allied representatives also think that the proposed statements on Hungary's status will make clear that the question has not been finally resolved. They are convinced that it will be possible in the MBFR talks themselves to raise the question of how future agreements will apply to Hungary. Finally, they are pleased that the proposed Eastern statement has dropped the formal link between Hungary and Italy on which the Soviets have insisted.

When the North Atlantic Council begins meeting on Wednesday, most Allies will probably find the Soviet proposal bearable. The British, however, may not. Although they have not yet decided on

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their strategy in the Council, they have made it clear that they are unhappy with the Soviet proposal. The US delegation in Vienna fears that this attitude may serve as a catalyst for whatever lingering doubts other Allies may have and significantly postpone a solution to the problem. [REDACTED]

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JAPAN: Tokyo is likely to liberalize its rules on foreign investment soon.

The Foreign Investment Council will recommend this week that the list of industries where 100-percent foreign ownership of newly created firms is allowed be expanded to include all but 50 to 60 industries. For these industries a maximum of 50-percent foreign ownership will remain in force.

For a half dozen others--including computers, oil refining, and retailing and wholesaling chains with more than 11 outlets--government approval on the level of foreign ownership will still be required. There may be some liberalization of investment in existing firms that are now limited to 25-percent foreign ownership, although Japanese industry has been arguing that this will lead to foreign take-overs.

When these changes are announced, direct foreign investment in Japan should increase. Until now, the level has been low, totaling only \$170 million in 1972--a decline from the previous year.



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WEST AFRICA: The worsening drought in West Africa is stimulating more urgent demands on the US and other donors for relief.

The stricken area is extensive, stretching from Mauritania eastward through Chad. Starvation and increased disease are reported in Niger, crop failure extends from the southern edge of the Sahara as far south as northern Dahomey and Nigeria, and livestock losses are mounting.

For the first time several of the affected countries appear ready to act together in seeking aid. Five states agreed late last month to coordinate their anti-drought programs, pool resources, and mount a joint search for aid. Bilateral approaches are not being neglected, however. Despite having already received considerable help, Mali has made a new, urgent appeal to the US for an emergency air transport of grain to remote regions. The US Embassy in Mali concludes that areas of that country face starvation unless a further emergency grain delivery can be arranged.

Low food stocks caused by worldwide grain shortages will limit the ability of international donors to respond. Distribution of food, both from coastal areas to landlocked countries and internally, could be the biggest problem, however. The supplies already promised will put a great strain on the rail and truck routes from the ports of Abidjan and Dakar. Three West German planes and one Soviet aircraft have been assisting in the internal distribution of grain in Mali since mid-March. France recently has provided two planes, according to a French Government official. [REDACTED]

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